

ST. PAUL FIRE AND MARINE INSURANCE COMPANY AND AFFILIATES

MARKET CONDUCT EXAMINATION

SEPTEMBER 1, 1997-FEBRUARY 28, 1998

April 9, 1999
Seattle Washington

Deborah Senn
Insurance Commissioner
Olympia, Washington 98504

Pursuant to your instructions and in compliance with the laws of the State of Washington, a market conduct examination has been made of

St. Paul Fire and Marine Insurance Company and affiliates authorized in Washington

385 Washington Street
St. Paul, Minnesota 55102

and this report of examination is respectfully submitted.

This is the first market conduct examination by Washington state of the St. Paul Fire and Marine Insurance Company and its affiliates, hereafter referred to as Athe companies.@

The examination was based upon a review of policies written and claims settlements completed for

Washington insureds between September 1, 1997 through February 28, 1998. The examination included the following personal and commercial lines operations:

- Agent licensing
- Advertising
- Complaint Procedures*
- Form and Rate Filings
- Underwriting and Rating
- Underwriting - Cancellations, Non-Renewals and Declinations
- Claim Settlement Practices

* Complaints logged from January 1, 1992 through December 31, 1997, were reviewed for complaint trends.

The examination was performed at the companies' office in Seattle, Washington.

TABLE OF CONTENTS

PAGE

1	Salutation
2	Table of Contents
3	Examination Report Certification
4	History, Operations and Management
5	Advertising
7	Agent Licensing and Appointments
8	Complaints
9	Form and Rate Filings
11	Underwriting and Rating
16	Underwriting - Cancellations and Non-Renewals
17	Claims
20	Instructions and Recommendations
22	Appendices

EXAMINATION REPORT CERTIFICATION

This examination was conducted in accordance with Office of the Insurance Commissioner and National Association of Insurance Commissioners market conduct examination procedures. This examination was performed by Sally Anne Carpenter and Shirley M. Merrill, who also participated in the preparation of this report.

I certify that the foregoing is the report of the examination, that I have reviewed this report in

conjunction with pertinent examination work papers, that this report meets the provisions for such reports prescribed by the Office of the Insurance Commissioner, and that this report is true and correct to the best of my knowledge and belief.

Pamela Martin
Chief Market Conduct Examiner
Office of the Insurance Commissioner
State of Washington

HISTORY, MANAGEMENT AND OPERATIONS

The St. Paul Fire and Marine Insurance Company was incorporated in 1925 in Minnesota under the title Mercury Insurance Company. The title changed to its present form in December 1967. The company is owned by the St. Paul Companies, a publicly held holding company. Best's Insurance Reports indicate that in 1996 the St. Paul Companies consisted of 20 property and casualty companies including St. Paul Fire and Marine Company's 1996 acquisition of Northbrook Holding Inc. and its three wholly owned insurance companies from Allstate. In April 1998, the St. Paul Fire and Marine Company acquired the United States Fidelity & Guarantee Group.

The St. Paul Companies licensed to conduct business in Washington during the exam period were:

St. Paul Fire and Marine Insurance Company
St. Paul Mercury Insurance Company
St. Paul Guardian Insurance Company
Athena Assurance Company
St. Paul Medical Liability Insurance Company
Northbrook Property and Casualty Insurance Company
Northbrook Indemnity Company
Northbrook National Insurance Company
Seaboard Surety Company

The companies sell all traditional lines of commercial and personal insurance, except workers compensation in Washington. Products are marketed through independent agents and national brokers. The companies also design specific packages of coverage for many unique markets that are controlled through divisions of the company such as:

Medical Services Division
Public Sector Division
Personal Insurance Specialty Auto (kit cars or street rods)
Ocean Marine Division
Professional Markets

The St. Paul Companies are led by D.W. Leatherdale, Chairman of the Board, and Jim Gustafson,

President and Chief Executive Officer.

ADVERTISING

The companies presented 54 current advertising documents for examination. The examiners selected 30 of these for review to determine compliance with Washington insurance advertising law.

The majority of the advertising reviewed was directed at the companies' agency force, explaining various programs offered by the companies. One piece was designed to assist an insured when reporting a claim.

The following violations were noted (Some advertising contained multiple violations):

RCW 48.30.040 prohibits misleading comparisons with other insurers' products:

- One piece was misleading in an effort to show a comparison between a St. Paul package personal lines policy and other companies' individual policies. The PAK II policy is a package policy combining homeowners and personal auto coverage into one policy, rather than separate policies issued by many companies. (See Appendix 2 for detail).

The PAK II vs. Standard Policies - A Comparison Chart, form # 32313, Rev. 7-95 is misleading in two sections:

1) In comparing the PAK II coverage with a standard HO-3 homeowners policy, there is a statement that the PAK II policy provides coverage for rental property by endorsement versus the standard policy of other companies which will only provide this coverage by separate contract. This is not a correct statement. Many HO-3 homeowners policies in Washington will also provide this coverage via endorsement.

2) In comparing the PAK II personal auto coverage with a standard auto policy, there is a statement that indicates towing and labor in conjunction with a covered loss is covered in the PAK II policy, however this is not covered under a standard auto policy. This is not a correct statement. This coverage is included in most standard Washington auto policies.

Subsequent event: The company advised that the form will be amended to show correct comparisons.

RCW 48.30.050 requires advertising to show the full name of the insuring company and the location of the home or principal office of the company.

19 pieces did not show the location of the home or principal office, in violation of RCW 48.30.050. (See Appendix 1 for detail).

1 piece showed only St. Paul or St. Paul Companies, not the full name of the company, or home office location in violation of RCW 48.30.050. (See Appendix 1 for detail).

WAC 284-30-660 requires advertising that contains a rating of the company by an advisory service to explain the meaning of the rating shown in the advertisement.

17 pieces showed the Aletter@ rating (i.e., A+) the company had received by a given date from advisory services such as A.M. Best, Moody's or Standard & Poors, without giving a clear explanation of the rating structure. (See Appendix 2 for detail).

AGENT LICENSING AND APPOINTMENTS

Two hundred policy records were selected for the agent licensing sample. They were reviewed to ensure that agents soliciting business for the companies were licensed and appointed pursuant to the requirements of RCW 48.17.060 and RCW 48.17.160.

The companies' internal procedures require underwriters to check for appointments and agent licenses. There is a process in place to check nonresident agents against a producer data base. The procedure is designed to prevent policies from being issued if the agent is not licensed and appointed. However, the computer system does not block the issuance of Washington policies by agents licensed and appointed in another state.

Our findings identified nine policies written through agents who were not appointed according to the requirements of RCW 48.17.160:

- One agent was given a commercial quote to present to a customer prior to his appointment paperwork being completed. See Appendix 3 for detail.
 - Eight agents who wrote 15 policies with the primary exposure in Washington were not appointed by the companies in Washington at the time they wrote the policies. See Appendix 3 for detail.
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COMPLAINTS

Between January 1, 1992 and December 31, 1997, the companies received 69 complaints. The examiners reviewed 17 complaint files. The files were examined for compliance with WAC 284-30-360 (2) and the companies' complaint procedures. The complaints were also reviewed to detect any adverse trends in claim handling or underwriting.

The companies define a complaint as, "a material expression of dissatisfaction from any external party involved in an insurance transaction." The companies have established written complaint handling procedures. These procedures indicate that all complaints must be acted on immediately, regardless of whether the complaint came directly from the insured, agent, insurance regulator or other source. The procedures also indicate the complaint handling process is expected to take no more than ten business days from receipt of the complaint to resolution and response.

All of the files reviewed met the required time frame for resolution or response. No trends in claim or

underwriting complaints were noted.

FORM AND RATE FILINGS

Personal lines rates, rules and forms are developed by the companies, using information from various rating and advisory organizations and their own loss experience. Commercial product forms are developed using information from rating and advisory organizations, as well as their own experience and perceptions of marketplace needs.

The companies use Insurance Services Office, (ISO), as their rating organization for commercial lines rates and rules. They rely upon Washington Surveying & Rating Bureau, (WS&RB), for their commercial fire policies. The companies file company-developed rating plans for the balance of their commercial products, including specialty market programs.

A sample of rate and form filings from policies was reviewed during the course of this examination. Samples were taken from 310 in-force policies and various rate and form manuals.

Our findings are as follows:

49 violations of RCW 48.18.100 (1). This law states that Aendorsements of a unique character designed for and used with relation to insurance upon a particular subject@ will be considered manuscript and are exempt from filing requirements.

The examiners identified 47 endorsements the companies considered manuscript endorsements therefore, they were not filed. The examiners determined all 47 endorsements must be filed and approved prior to continued use. They are used in multiple policies, are not unique in character, and are therefore not exempt from filing. Appendix 4 contains the 47 form names and numbers.

Subsequent event: The companies' data base system, Underwriting Requirements Information Systems, (URIS), provides underwriters on-line access to states' regulatory requirements. The companies stated they are changing the URIS manuscript filing requirement for Washington state to reflect that policies issued or delivered in Washington which include a manuscript form or endorsement may only be used once before the form must be filed as a standard form.

Two other endorsements in use were not filed and approved, in violation of RCW 48.18.100. The forms are:

- Vehicle Exclusion Endorsement, Form # S-645a (8/81)
- PAK II Endorsement, Form # 98296 (05/81) 2 versions

One violation of RCW 48.19.040(1) & RCW 48.19.043(2), which specify rate filing requirements was identified.

- The companies developed an Umbrella Excess Manual designed for their commercial umbrella program. The manual contains rules, rates, rating factors and minimum premiums.
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The examiners determined that the manual was not filed for use in Washington State as required. In discussing this with the company, the examiners were told that the companies consider commercial umbrella policies to be A(a)@ rated. Therefore, it was not necessary to file rates or rating manuals for approval. The A(a)@ rating of the individual policies will be discussed in greater detail in the report section titled ACommercial Rates@.

Subsequent event: The companies have advised that the Umbrella manual has been filed.

UNDERWRITING AND RATING

The examiners selected 310 of the 1,930 new or renewed commercial and personal lines policies. Files were reviewed to determine if :

- the companies followed their filed rating plans
- the companies applied their underwriting rules consistently
- the companies were in compliance with Washington state laws

The examiners also manually rated policies to determine if there were any programed errors in the companies' computer system and if the companies were using their filed and approved rates.

PERSONAL LINES

Two errors were detected in processing of the PAK II policies. Both involved vehicles that had been rated with incorrect symbols. Both appeared to be clerical input error.

- One error resulted in undercharging the insured (PK0842095). The symbol and rating will be corrected at renewal.
- One error resulted in overcharging the insured (PK08402990). This has been corrected. A refund of \$194.00 has been sent to the insured.

Two personal lines policies did not contain signed PIP rejection forms as required by RCW 48.22.090. The company has taken steps to obtain the signed waivers.

- PK02209028
- PK08403768

RCW 48.19.040(1) AEvery insurer or rating organization shall, before using, file with the commissioner every classifications manual, manual of rules and rates, rating plan, rating schedule, minimum rate, class rate, and rating rule, and every modification of any of the foregoing which it proposes.@

RCW 48.19.040(6) AWhen a filing is required no insurer shall make or issue an insurance policy or contract except in accordance with its filing then in effect except as provided by RCW 48.19.090.@

The company markets two individual boat programs in addition to the boat coverage available in the PAK II personal lines package policy. The West Marine and Power Squadrons programs are administered by a general agent in Alabama.

The examiners found that the boats were not rated according to the plans that were filed and approved. The company was instructed to immediately cease writing boat coverage in either of the programs, except with their filed rate plans. They were also instructed to identify all policies that were rated incorrectly and recalculate the premium according to their filed rates. Refunds

totaling \$3319.00 on 148 policies were returned to policy holders. Documentation is contained in the examination work papers.

Subsequent event: The company has refiled the rates for both boat plans.

COMMERCIAL LINES

Commercial lines marketing and underwriting for Washington is handled from the Seattle branch office, with the exception of some specialty products.

Some policies contained multiple violations and are listed more than once in the referenced appendices. Our findings are as follows:

RCW 48.05.190(1) states AEvery insurer shall conduct its business in its own legal name.@ (See Appendix 5 for policy detail.)

One form, AReinstatement Endorsement@ did not identify the correct insurer. The companies have acknowledged this and will revise the form.

116 Certificates of Insurance issued on 13 policies did not correctly identify the correct insurer. The companies were instructed to reissue the Certificates.

One policy contained a form with the name of a company that is not licensed in Washington. It appears to be a data entry error. The companies were instructed to correct the error.

One bond did not identify the name of the insuring company on the renewal certificate.

WAC 284-30-560(2)(a) Binders must identify the insuring company in which coverage is bound.

Two policies contained binders which identified the incorrect company. These were returned by the examiners to be corrected. See Appendix 5 for policy detail.

Subsequent event: The companies provided documentation that the Certificates of Insurance

and binders have been reissued to comply with RCW 48.05.190(1) and WAC 284-30-290 (1). The company stated underwriting guidelines will be revised to comply with the Washington requirements on binders and certificates.

RCW 48.18.230(1) No binder shall be valid beyond the issuance of the policy . . . or beyond 90 days from its effective date, whichever is shorter.

- One policy contained a binder which was issued for one year. See Appendix 5 for policy detail.

RCW 48.18.2901(1)(b) AAt least twenty days prior to its expiration date, the insurer has communicated, either directly or through its agent, its willingness to renew in writing to the named insured, and has included therein a statement of the amount of premium or portion thereof required to be paid by the insured to renew the policy . . .@

- 12 violations of this statute were noted in the sample. See Appendix 5 for policy detail.

Subsequent event: The companies stated they will change procedures to ensure compliance with RCW 48.18.2901(1)(b).

WAC 284-24-100(3) and (5) Standards for scheduled rating plans.

- 11 files did not contain sufficient documentation to support the application of credits or debits. There was not an objective analysis as required in '3, or the plan had not been considered for application of debits or credits as required in '5. See Appendix 5 contains policy detail.

RCW 48.19.040(1) AEvery insurer or rating organization shall, before using, file with the commissioner every classifications manual, manual of rules and rates, rating plan, rating schedule, minimum rate, class rate, and rating rule, and every modification of any of the foregoing which it proposes.

- Refunds totaling \$2686 on 9 of these files were returned to policyholders. See Appendix 5 for policy detail.

RCW 48.19.040(6) AWhen a filing is required no insurer shall make or issue an insurance policy or contract except in accordance with its filing then in effect except as provided by RCW 48.19.090.@

RCW 48.19.280(1) AEvery member or subscriber to a rating organization shall adhere to the filings made on its behalf by such organization. Deviations from the organization's filings are permitted only when filed with the commissioner in accordance with this chapter.@

WAC 284-30-590(7)(c) AThis subsection recognizes that an insurer may elect to allow an incorrect premium to remain in effect to the end of the policy term because the insured is legally or equitably entitled to a bargain made.@

In 18 files examined the companies did not adhere to their filed rating plans in one or some of the following ways:

- expense reduction factors applied - not approved in the rate plan
- surcharges applied to ineligible premium
- scheduled debits and credits applied to policies which did not meet the minimum premium requirements for eligibility
- policies written in a plan prior to filing approval
- incorrect minimum premium applied

Seven more files did not follow their filed rating plans in the following ways:

- Two files in the sample (CK08402341 and CK08402334) were audited by the Washington Insurance Examining Bureau (WIEB) in 1997. WIEB found the property coverage was not rated properly. The correct premium was higher than the company initially charged.

This resulted in WIEB issuing an instruction called a ABureau tag@ to the company to correct the premium. When the endorsement is issued to the insured, the company sends a copy of the endorsement to the WIEB to retire the tag. The company endorsed these policies for the corrected premium amount and sent a copy of the endorsement to the Bureau to retire the tag. However, the company did not send the endorsement to the policy holder to collect the additional premium. The premium was not corrected at renewal.

Based on this information, the examiners expanded the examination to include all files that had been Atagged@ by the Bureau in the 1997 audits.

- Five additional files, (CK08401469, CK08401843, CK0840290, CK0842133, CK08402339) had tags which were cleared in the same manner, and were not corrected at renewal.

Also, deviations as allowed by RCW 48.19.280(1), were not requested from the commissioner for these 7 files.

Subsequent event: The company issued instructions to their underwriting units regarding the proper handling of Bureau tags and seeking waiver of premium from the commissioner.

Note: The rating issue that resulted in the WIEB tagging the policies is an ongoing dispute between ISO and WIEB on how to interpret CLM Rule 72. There are two calculations addressed in Rule 72 at issue:

- The blanket average property rate. This issue has been resolved between WIEB and ISO, and the company has updated its policy processing system to reflect the appropriate rate.
 - The blanket theft increment rule. To date, this issue has not been resolved. Information regarding
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this issue has been provided to the Rates and Contracts Division for review.

The companies applied credits/debits to Uninsured Motorist coverage. ISO Rule #97, Uninsured Motorist Insurance, of the ISO Division One-Commercial Automobile Manual states ADo not modify the premium under any rating plan or other manual rule provisions.@ The companies stated that they believed this rule applied only to ISO rated plans, and not their individually filed plans.

The companies did not include modifying the rate with credits/debits to Uninsured Motorist coverage in their individually filed plans in violation of RCW 48.19.040(1). The examiners instructed the companies to immediately cease applying debits or credits to Uninsured Motorist coverage.

Subsequent event: The companies advised the examiners that an edit was installed in the rating program to prevent the application of either a debit or a credit to Uninsured Motorist coverage on Washington risk vehicles.

COMMERCIAL RATES

WAC 284-24-070 allows insurers to develop individual rates for certain policies. These are classified as Aa@ rated policies. This means the characteristics of the risk or type of risk is so unusual it cannot be reasonably compared to, or combined with other risks to apply the standard rating plan, or to develop loss experience for credible rate making. The documentation of the individual rate development must include an underwriting analysis of a) specific definable loss potential characteristics, b) analogy to similar exposures and c) available loss frequency and severity data. Each time the insurer uses an Aa@ rate, the underwriting file must include sufficient documentation to explain why rates from the filed rating plan cannot be applied to the case.

The documentation in 22 of the Aa@ rated files was insufficient to meet the requirement of WAC 284-24-070. The examiners requested any additional documentation for each case that might be kept outside the files. The company advised that all available documentation was in the files. Of the 22 rating violations noted in the sample:

- 15 were commercial umbrella policies. The company considered all umbrella coverage to be Aa@ rated. The company had no filed umbrella rates. The underwriting manual did cover underwriting risks and suggested rates. The files examined did not contain sufficient documentation to meet the requirements of WAC 284-24-070(3)(a) - (c).
- 7 other Aa@ rated policies did not have sufficient documentation or underwriting analysis of the risk to meet the requirement of WAC 284-24-070(3)(a) - (c).

UNDERWRITING -CANCELED OR NON-RENEWED

Examiners selected 102 policies from a population of 546 policies canceled or non-renewed during the exam period. The policies were reviewed to determine if the company issued notices and processed return premium in compliance with Washington law.

Our findings were as follows:

RCW 48.18.300(2) requires the company to pay to the insured A . . . any unearned portion of any

premium paid on the policy as computed on the customary short rate or as otherwise specified in the policy@.

- There were procedures in the personal lines underwriting manuals to retain minimum premium calculated other than by the customary short rate. These calculations were not stated in the policy as required. Two files were in found in violation. See Appendix 7 for detail.

Subsequent event: The company stated that they will cease retaining minimum premium until the policy is amended, refiled and approved.

RCW 48.18.290(4) requires that Athe portion of any premium paid to the insurer on account of the policy, unearned because of the cancellation and in amount as computed on the pro rata basis, must be actually paid to the insured or other person entitled thereto as shown on the policy . . . @

- One file was in violation of this requirement as premium was returned to the agent. See Appendix 7 for detail.

RCW 48.18.290(1)(a) requires the company to give 45 days written notice, except for nonpayment of premium when canceling a policy. WAC 284-30-570 requires the company to give the actual reason for the cancellation.

- Two bonds identified in Appendix 7 were canceled with 30 days written notice. One of these two notices did not state the actual reason for the cancellation.

Subsequent event: A memo has been sent to all departments handling Washington bonds from the Legal Affairs department addressing requirements for content and time frames.

One refund totaling \$24.28 was returned to the policyholder as a result of this review of cancellations and non-renewals.

CLAIMS

The companies handle commercial claims, with the exception of some technical claims such as environmental or medical liability, from a regional office in Seattle, Washington. Claims for a small number of very large accounts are handled by a third party administrator. Most personal lines claims are handled from the regional office in Freeport, Illinois. Serious or complex personal lines claims are assigned from Freeport to a resident adjuster in Seattle, or to independent adjusters in other parts of the state. Subrogation is handled by a regional subrogation office in St. Paul, Minnesota or the regional office in Seattle.

Examiners selected 200 claims for review from the general population of 3,464 claims closed during the examination period. An additional 28 automobile total loss claims were selected for review from the 119 files listed on company salvage logs. The files were examined for compliance with laws regarding fair claims practices, total loss settlement practices, salvage disposal, and handling of subrogation.

Three commercial claims could not be located. Two of these claims were reviewed from on-line log notes and payment records. Our findings were as follows:

- The companies acknowledged that the personal lines claims department did not consistently use the true insurer's name on correspondence as required by RCW 48.05.190.

Subsequent event: The companies changed their procedures to comply with the requirements of the statute.

The companies acknowledge vehicle titles processed on total loss claims were sent to the salvage companies who in turn were to process and send them to the Department of Motor Vehicles. This does not meet the processing requirements of RCW 46.12.070

Subsequent event: The companies changed procedures to comply with the Motor Vehicle Code.

- One subrogation file was sent to a collection agency after monthly payments from the responsible party stopped. No portion of the insured's \$300 deductible had been refunded. According to company procedures, the insured's deductible is to be refunded from any money recovered prior to the insurer recovering any funds. The company agreed that further collection was unlikely in this case, and issued a check for \$209, the money collected to date, to the insured.
- Payment of one claim was delayed more than three months with no documented reason.
- WAC 284-30-340 requires that claim files contain all notes and work papers pertaining to the claim in such detail that pertinent events and dates of the events can be reconstructed. 5 files lacked sufficient documentation. See Appendix 8 for detail.

WAC 284-30-350 requires the insurer to fully disclose to first party claimants all pertinent

benefits and coverage.

- 2 files did not meet this requirement. See Appendix 8 for detail.
 1. In one file the claim handler told the insured there was a \$500 threshold for paying replacement cost when the policy indicates a \$1000 threshold. This did not affect the handling of the claim, but the examiners returned the file to the supervisor to review with the claim handler.
 2. In one file the claim handler failed to completely explain medical payment coverage available, and also overlooked a \$5.00 medical bill in the file. Examiners returned this file for an additional \$5.00 payment to the insured.

WAC 284-30-360(1) and (3) require the insurer to reply within ten working days to a notice of claim or other pertinent communications regarding claims.

- 10 files had letters from insureds, claimants, attorneys, or other insurance companies to which the company either did not respond, or did not respond within ten days. This included one file with a letter describing problems with the vehicle repairs that had not been resolved received no response. This file was returned by the examiners for further claim handling resulting in an additional settlement of \$300. See Appendix 8 for detail.

WAC 284-30-370 sets standards for completing investigations within 30 days after notification of claim, unless such investigation cannot reasonably be completed within such time.

- Unwarranted delays were identified in 6 files. One of these files was returned by the examiners for additional follow-up, resulting in an additional payment of \$176.34. See Appendix 8 for detail.

WAC 284-30-390(1)(a),(b) and (c) set forth the standards for establishing the calculations used to settle total loss automobiles and defines how to establish the value of salvage.

- Six files did not meet the requirements of this regulation for the following reasons:
 1. Vehicle values were established in 3 files using CCC, a vendor contracted by insurers to provide total loss market value evaluations, from outside the local market area. See Appendix 8 for detail.
 2. The sales tax and fees were not correctly calculated in two files which were returned for additional payments totaled \$124.05. See Appendix 8 for detail.
 3. One total loss was incorrectly evaluated. The examiners returned this file for recalculation resulting in an additional payment of \$916 to the insured. See Appendix 8 for detail.

INSTRUCTIONS AND RECOMMENDATIONS

INSTRUCTIONS:

1. The companies are instructed to comply with RCW 48.30.050 to ensure that every piece of advertising used in Washington sets forth the full name of the insurer and the location of its home or principal office. The companies are further instructed to correct or destroy all advertising that does not meet this requirement within 90 days. (Page 5)
2. The companies are instructed to comply with WAC 284-30-660 which requires any advertising for distribution in Washington using a letter rating structure (AAA, A+) to include an explanation of ratings, and to destroy all advertising that does not meet this requirement. The companies are further instructed to ensure that all points of distribution (i.e., agents, marketing offices) are notified to immediately destroy all advertising material not in compliance. (Page 5)

3. The companies are instructed to comply with RCW 48.30.040 which addresses misleading or deceptive advertising by immediately withdrawing from distribution in Washington the advertisement - PAK II vs. Standard Policies until revised. (Page 5)

4. The companies are instructed to comply with RCW 48.17.160 to ensure that every agent soliciting business in Washington, on their behalf is appointed in a timely manner. (Page 6)

5. The companies are instructed to comply with all filing requirements stated in RCW 48.19.100. (Page 8)

6. The companies are instructed to comply with RCW 48.22.090 by obtaining signed PIP rejection forms when required. (Page 10)

7. The companies are instructed to comply with RCW 48.05.190(1), WAC 284-30-290(1), and WAC 284-30-560(2) regarding identification of the true insurer on Certificates of Insurance, binders, renewal certificates, and claim correspondence, and with RCW 48.18.230(1) regarding effective coverage dates on binders. (pages 11 and 16)

8. The companies are instructed to comply with RCW 48.18.2901(1)(b) regarding willingness to renew a policy. (Page 12)

9. The companies are instructed to comply with all filing and rating requirements in RCW 48.19.040(1)and (6), WAC 284-24-100(3)and (5), RCW 48.19.043(2), and WAC 284-24-070(3)(a-c) (Page 8, 10, 12, 13 and 14)

10. The companies are instructed to comply with RCW 48.18.300(2) and RCW 48.18.290(4) regarding retention of minimum premium and payment of return premium. (Page 15)

11. The companies are instructed to comply with RCW 48.18.290(1)(a) and WAC 284-30-570 regarding time frame and actual reason for cancellation. (Page 15)

12. The companies are instructed to comply with the requirements of WAC 284-30-340 regarding file documentation and work papers. (Page 17)

13. The companies are instructed to comply with the requirements of WAC 284-30-350 regarding disclosure of pertinent benefits and coverage. (Page 17)

14. The companies are instructed to comply with WAC 284-30-360(1) and (3) by responding to a notice of claim or pertinent communications within the required 10 days. (Page 16).

15. The companies are instructed to comply with WAC 284-30-370 by completing investigations within 30 days after notification of a claim, and to communicate with parties to the claim if the investigation can not be completed in that time frame. (Page 17)

16. The companies are instructed to comply with WAC 284-30-390(1)(a,) (b), and (c) regarding establishing the market value of total loss vehicles, and payment of the sales tax and fees. (Page 16). The companies are further instructed to comply with RCW 46.12.070 when processing titles of total loss vehicles. (Page 16 and 17)

RECOMMENDATIONS

1. It is recommended that the companies establish a review procedure to ensure all forms used on Washington policies that are currently considered manuscript forms are reviewed and filed, where appropriate.

2. It is recommended that the companies perform an internal review within a year of this exam to ensure compliance with Washington laws and procedural changes made as a result of this exam.

3. It is recommended that the companies review all policies that had Washington Examining Bureau tags to ensure that the endorsements have been added to the policies, and that accurate billings have been sent to the insured.

APPENDIX 1

ADVERTISING

Violations of RCW 48.30.050, not showing the location of the insurers home or principle office.

Form # 36573 Ed. 4-96	PAK II is the right choice, for your entire lifetime
Form # 77031 Rev. 7-9	What Makes PAK II So Convenient? Why Your Agent Thinks Pak II Is Right For You AGS 4-96
Form #77030 Rev. 6-95	The St. Paul- National Programs
Form # 53344 Ed. 2-98	Printers Professional Coverage
Form # 34103 Ed. 4-94	The St. Paul Technology - An introduction for

	agents and brokers
Form # 83777 Ed. 1-98	The Right Tools for the job - The St. Paul, Construction
Form #53383 Ed. 3-98	The Right Tools for the job - The St. Paul, Construction
Form # 32313 Rev. 7-95	The St. Paul PAK II - PAK II vs. Standard Policies - A Comparison Chart
None	The St. Paul, Special Property - Built to Last
Form # 53024 7-96	The St. Paul, Transportation
Form # 36569 Ed. 5-96	The St. Paul, Technology - Commercial General Liability Protection for Technology Companies
Form # 34541 Ed. 7-95	The St. Paul Technology - International Coverage for the Technology Industry
Form # 36030 Rev. 7-97	The St. Paul Pace - Office Program
Form # 35163 Ed. 4095	The St. Paul Technology, AWhy would anyone need E&O Coverage.@
Form #36029 Ed. 8-95	The St. Paul Pace, Retail Program
Form # 53325 ED. 4-98	The St. Paul , Public Sector Services
Form # 77032 Rev. 1-94	The St. Paul PAK II, Compare
Form # 53591 Ed. 1-98	Management Care, For Workers' Compensation

Violations of RCW 48.30.050, not showing the full name of the insurer.

Form # 7974 Rev. 2-93	PAK II Renting a Car?
No form number	The St. Paul, Special Property

APPENDIX 2

ADVERTISING**Violations of WAC 284-30-660(2)(a), utilizing quotations or evaluations of rating organizations and not including an explanation of the rating structure.**

Form # 77032 Rev. 1-94	PAK II Compare
Form # 53325 Ed. 4-98	Public Sector Services
None	The St. Paul Special Property - Built to Last
Form # 83799 Ed. 12-97	The St. Paul Commercial (Eagle 3)
Form #36029 Ed. 8-95	St. Paul PACE Retail Program
Form #36030 Rev. 7-97	St. Paul PACE Office Program
Form #33721 Ed. 5-93	The St. Paul Business Insurance (Museum)
Form #34103 Ed. 4-94	The St. Paul Technology - An introduction for agents and brokers
Form #53344 Ed. 2-98	Printers Professional Coverage
AGS 4-96	The St. Paul- National Programs
AGS 3-96	The St. Paul Service Industries
Form # 83798 Ed. 12-97	The St. Paul - Got that familiar feeling? (Eagle 3)
Form #36573 Ed. 4-96	PAK II is the right choice, for your entire lifetime
Form # 77031 Rev. 7-95	What Makes PAK II So Convenient?
Form # 77030 Rev. 6-95	Why Your Agent Thinks PAK II Is Right For You
Form # 83800 Ed. 1-98	Eagle 3, A Benefits Comparison
Form # 34104 Ed. 4-94	The St. Paul Technology - Property and liability insurance for electronic manufacturing

Violation of RCW 48.30.040, misleading material in comparison of the companies package auto/homeowners policy to personal auto and homeowners policies of other carriers

Form # 32313 Rev. 7-95	PAK II vs. Standard Policies - A Comparison Chart
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APPENDIX 3

AGENT LICENSING AND APPOINTMENTS

Violation of RCW 48.17.160 which requires the insurer to file written notice of their appointed agents with the insurance commissioner's office.

Policy Number	Agent Name	Comments:
BC8400217	Snapper Schuler Kenner Inc Lynden, WA	Agent given quote to present to a customer prior to being appointed with St. Paul.
TE8400593	Kibble & Prentice	Agent not appointed in Washington for this company.
CF08700098 PK08703097 EMA6601342	Willis Corroon Corp of Eugene OR	Agent not appointed in Washington
PK08700908	Willis Corroon Corp of Portland OR	Agent not appointed in Washington
PK03600443	Security Insurance Agency, Medford OR	Agent not appointed in Washington
PK08703186	Barker-Uerlings Insurance Corvallis, OR	Agent not appointed in Washington
CK09401882 CK09400931 CK09401001	Lindo, Hanna and Abbott Chico, CA	Agent not appointed in Washington
CK08402036	Neville Marketing Services	Agent not appointed in Washington.
CK00204661	Inter/National Rental	Agent not appointed in

CK00205229 CK00206194 CK00204515	San Clemente, CA	Washington
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APPENDIX 4

MANUSCRIPT ENDORSEMENT FORMS: Violation of RCW 48.18.100 which states the requirements for filing and approval of policy forms

Form Number	Form Name
40502 Ed. 1\80	Territorial Limitation Endorsement
40502 Ed. 1\80	Blanket Coverage Optional Reporting Endorsement
40502 Ed. 1\80	Limiting Endorsement
40502 Ed. 1\80	Premium Adjustment Endorsement
40502 Ed. 1\80	Sign Protection
40502 Ed. 1\80	Dock, Piers, Wharves Endorsement
40502 (no Ed date shown)	How Your Property Is Valued Endorsement
40502 Ed. 1\80	DIC Underlying Property Coverage Exclusion Endorsement
40502 Ed. 1\80	Professional Liability Protection Premium Adjustment Endorsement
40502 Ed. 1\80	Blanket Coverage
GL 029	Contractors General Liability Limited Above Ground Pollution Liability Protection - Claims-Made
51738 Ed.10-91	Automobile Coverage
51738 Ed. 10-91	Cancellation - Notification of Third Party
51738 Ed. 10-91	Changes in Coverage - Notification of Third Party

51738 Ed. 10-91	Conditional Sales - Dual Interest
51738 Ed. 10-91	Conditional Sales - Single Interest
51738 Ed. 10-91	Deposit - Annual
51738 Ed. 10-91	Deposit - Amended Annual
51738 Ed. 10-91	Deposit - Annual with Annual Adjustment
51738 Ed. 10-91	Deposit - Amended Annual with Annual Adjustment
51738 Ed. 10-91	Deposit - Annual Adjustment
51738 Ed. 10-91	Delinquent reports
51738 Ed. 10-91	Deposit - Escrow
51738 Ed. 10-91	Deposit - One Year Only
51738 Ed. 10-91	Duplicate Original
51738 Ed. 10-91	Employee Tools
51738 Ed. 10-91	Extra Expense - Computers
51738 Ed. 10-91	F.O.B. Shipments
51738 Ed. 10-91	Installation - Exclusion
51738 Ed. 10-91	Installation Limit
51738 Ed. 10-91	Installation - Property Being Worked On
51738 Ed. 10-91	Leakage or Collapse Exclusion
51738 Ed. 10-91	Leased or Rental Equipment Limitation
51738 Ed. 10-91	Leased Equipment Warranty
51738 Ed. 10-91	Live Animals

51738 Ed. 10-91	Locked Vehicle Warranty
51738 Ed. 10-91	Non - Reporting Policy
51738 Ed. 10-91	Reports and Premiums - Gross Sales
51738 Ed. 10-91	Reports and Premiums - Period Reporting
51738 Ed. 10-91	Salesman's Samples
51738 Ed. 10-91	Tentative Rate Removal
51738 Ed. 10--91	Transit - Merchandise of Others Exclusion
51738 Ed. 10-91	Transit Limitation
51738 Ed. 10-91	Trip Transit
51738 Ed. 10-91	Unattended Automobile Exclusion
42516 Ed. 1-86	Market Value Endorsement - Stock
42515 Ed. 1-86	Manufacturer's Selling Price Endorsement

APPENDIX 5

UNDERWRITING AND RATING

VIOLATION/Policy Number	COMMENTS
RCW 48.05.190(1)	AEvery insurer shall conduct its business in its own legal name.@
CK08701184	40 Certificates of Insurance did not show the true name of the insurer.
CK08402564	14 Certificates of Insurance did not show the true name of the insurer.
CK08700184	31 Certificates of Insurance did not show the true name of the insurer

CK08402463	20 Certificates of Insurance did not show the true name of the insurer
BC08400251	1 Certificate of Insurance did not show the true name of the insurer
CK08401733	1 Certificate of Insurance did not show the true name of the insurer
CK08402525	1 Certificate of Insurance did not show the true name of the insurer
NK06600129	1 Certificate of Insurance did not show the true name of the insurer
CK08402564	2 Certificate of Insurance did not show the true name of the insurer
CK08402145	1 Certificate of Insurance did not show the true name of the insurer
CK03402487	1 Certificate of Insurance did not show the true name of the insurer
DM06625275	1 form (#M0012) did not show the true name of the insurer
400HM9327	Name of insurer not identified on renewal certificate.
WAC 284-30-560(2)(a)	ASuch binder must be dated, identify the insurer in which coverage is bound, briefly describe the coverage bound, state the date and time coverage is effective, and acknowledge receipt of the amount of any premium money received.@

CK03402487	1 Binder of Insurance did not show the true name of the insurer.
KG08300491	Binder issued without the effective date and time.
RCW 48.18.230(1)	A No binder shall be valid beyond the issuance of the policy as to which it was given, or beyond 90 days from its effective date, which ever is shorter.@
CA08400101	Binder was issued for a one year period.
RCW 48.18.2901(1)(b)	At least twenty days prior to its expiration date, the insurer has communicated, either directly or through its agent, its willingness to renew in writing to the named insured, and has included therein a statement of the amount of premium or portion thereof required to be paid by the insured to renew the policy,...
CA08400116	Renewal quote was not given in writing to the named insured.
CK08402306	Renewal quote was not given in writing to the named insured. Renewal quote was late (17 days) before expiration
CF08700098	Renewal quote not given in writing to the named insured.
CK08402083	Renewal quote was not given in writing to the named insured. Renewal quote was late. Issued 14 days before expiration.
TE8400593	Renewal quote was not given in writing to the named insured.

	Renewal quote was late. Issued 2 days before expiration.
CA08400101	Renewal quote was not given in writing to the named insured. Renewal quote was late. Issued 14 days before expiration.
CK08402463	Renewal quote was not given in writing to the named insured.
CK08401733	Renewal quote was not given in writing to the named insured. Quote was issued (faxed) to the agent on the 20th before expiration.
CK00205229	Renewals for the 97/98 and 98/99 policies issued late. No indication that renewal offer was ever sent to insured for either policy period as required.
CK00206194	No indication that a renewal offer was sent to the insured as required.
CK00204515	Renewals for the 97/98 and 96/97 policies issued late. No indication that renewal offer was ever sent to insured for either policy period as required.
CK08402018	Renewal quote was not given in writing to the named insured. Renewal quote was late. Issued 17 days before expiration.
RCW 48.19.040(1)	AEvery insurer or rating organization shall, before using, file with the commissioner every classifications manual, manual of rules and rates, rating plan, rating schedule, minimum rate, class rate, and rating rule, and every

	modification of any of the foregoing which it proposes.@
CK08402469	Expense factor applied to ineligible coverage.
CA09400332	Surcharge applied to ineligible coverage. Refund to insured \$20.00
CK0842293	Surcharge applied to ineligible coverage. Refund to insured \$42.00
CK08402029	Surcharge applied to ineligible coverage. Refund to insured \$1124.00
CK08401779	Surcharge applied to ineligible coverage. Refund to insured \$40.00
CA06610559	Policy did not meet minimum premium requirements to be eligible for credits or debits.
CA00611232	Policy did not meet minimum premium requirements to be eligible for credits or debits.
CA006611123	Policy did not meet minimum premium requirements to be eligible for credits or debits.
CA6610278	Policy did not meet minimum premium requirements to be eligible for credits or debits. Refund to insured \$96.00
CA06610549	Policy did not meet minimum premium requirements to be eligible for credits or debits.
RB06646666	Policy issued prior to approval of filed plan.
RB006646700	Policy issued prior to approval of filed plan.
CK08401777	Incorrect minimum premium applied.
CK00206194	Scheduled credits applied to ineligible premium
CK00205229	Scheduled credits applied to ineligible premium

	No filing for minimum premium. Refund to insured \$550.00
CK00204515	Scheduled credits and debits applied to ineligible premium No filing for minimum premium. Refund to insured \$310.00
CK00204661	Scheduled debits applied to ineligible premium Refund to insured \$405.00
CK08402547	Surcharge applied to ineligible coverage. Refund to insured \$99.00
WAC 284-24-100(3),(5)	Standards for schedule rating plans. Objective analysis was not sufficient to support the application of credits or debits.(3) Scheduled rating plans must be applied to all eligible risks.(5)
CK08402334	Documentation of scheduled credits and debits insufficient.
RP06640252	Documentation of scheduled credits and debits insufficient
RP06642807	Documentation of scheduled credits and debits insufficient
CK08402488	Documentation of scheduled credits and debits insufficient
CK08402572	Documentation of scheduled credits and debits insufficient
CK0841430	Documentation of scheduled credits and debits insufficient
CK08402034	Documentation of scheduled credits and debits insufficient
CK08402043	Documentation of scheduled credits and debits insufficient

CK00204515	Documentation of scheduled credits and debits insufficient
CK08402029	Documentation of scheduled credits and debits insufficient
CK08402145	Scheduled rating not considered for eligible risk.

APPENDIX 6

UMBRELLA POLICIES AND AA@ RATED POLICIES

Policy Number/Violations RCW 48.19.040(6) & RCW 48.19.043(2)		
CK 08402562	CK 08402334	CK 08402048
CK 08402547	TE 8400593	CK 08402293
CK 08402487	CK 08402341	CK 08402341
CK 08402101	CK 08402145	CK 08401700
CK 08401733	CK 08401986	CK 08402306
CK 08402018		
WAC 284-24-070 (3)(a-c)		Suspension of filing requirements- Aa@ rating. AThe insurer's rating of such a risk shall be based on a documented underwriting analysis of (a) Specific definable loss potential characteristics, (b) Analogy to similar exposures and (c) Available loss frequency and severity data.@

CK08402018		Insufficient documentation and analysis to support the AA@ rate. Policy incorrectly rated with a Contractors NOC Aa@ rate. Risk should be split into appropriate exposures to rate.
CK08402145		Insufficient documentation and analysis to support the Aa@ rate which was quoted for the umbrella portion of this policy.
KG08300295		Insufficient documentation and analysis to support the Aa@ rate.
CK00204515		Insufficient documentation and analysis to support the Aa@ rate.
CK00205229		Insufficient documentation and analysis to support the Aa@ rate.
CK08401481		Insufficient documentation and analysis to support the Aa@ rate. Original pricing says Asold at our minimum premium for new business \$5,000.
CK08401700		Insufficient documentation and analysis to support the Aa@ rate. Original pricing says Asold at our minimum premium for new business \$5,000.

APPENDIX 7

CANCELLATIONS AND NON RENEWALS

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Policy Number	Applicable RCW	Comments
298RX3914	RCW 48.18.290(4) RCW 48.18.300 (2)	Policy refund not calculated properly. Original checks made payable to the agent instead of the insured Returned premium \$24.28
298TA1457	RCW 48.18.300(2)	Reviewed in Complaint Sampling
400HM7209	RCW 48.18.290(1)(a)	30 day cancellation - actual reason for cancellation was not given
339503-96	RCW 48.18.290(1)(a)	30 day cancellation

APPENDIX 8

CLAIMS

Violation of RCW or WAC Claim number	Comments
WAC 284-30-340	
35008-6682-1	File documentation does not reflect negotiation offers.
CK00204449-46A001	File documentation does not include rationale for change in liability position
NBK0382620-017604	File documentation does not explain the basis for the settlement
CK08402433- 46A004	File documentation incomplete. No verification that insured was contacted
FK06602744-02A003	File documentation incomplete. File does not contain documentation on all activity on the file.

WAC 284-30-350	
35007-8167-3	Claim handler advised that settlement would be based on ACV if claim exceeded \$500. Policy language indicates ACV if claim exceeds \$1,000.
CK08402042- 46A001	Medical Payments coverage not explained to claimant. Additional payment of \$5.00 sent to the claimant for unpaid bill in file.
WAC 284-30-360(1) or (3)	
602NB2494/04T221	Fail to respond to subrogation notice within a 10 day time frame. Fail to respond to letter of representation within a 10 day time frame.
CK08402009-46A035	Fail to respond to subrogation notice within a 10 day time frame.
NBK0382620- 017604	Fail to respond to subrogation notice within a 10 day time frame.
35007-5959-6	Claim handler did not respond to claimant's letter regarding future repairs. File returned for additional work. Payment of \$300 issued to claimant.
CK08402521- 46A001	Fail to respond to subrogation notice within a 10 day time frame.
AT05500368-46A001	Fail to respond to subrogation notice within a 10 day time frame.
SW05504130-46A010	Failure to respond to notice of claim from claimant's attorney.
35005-4244-8	Fail to respond to subrogation notice within a 10 day time frame.
PK08400970-12002	Claim handler failed to address notification of potential Personal Injury Protection claim within a 10 day time frame.

35008-8352-9	Fail to respond to subrogation notice within a 10 day time frame.
WAC 284-30-370	
CK08402204 46A021	Investigation not completed within 30 days due to delays caused by the agent withholding information from the claim handler.
35005-6916-9	Investigation not completed within 30 days. File notes from supervisor indicate the claim was off diary and company standards regarding investigation not being met by claim handler
35006-2931-0	Claim handler did not take all steps possible to complete investigation within the 30 day time frame.
35007-9502-0	Claim handler failed to conduct complete investigation within the 30 day time frame. Company acknowledged investigation did not support conclusions. Additional payment for \$176.34 issued to claimant
35005-8001-8	Investigation not completed within 30 days.
NBK0380048 - 020239	Investigation not completed within 30 days
WAC 284-30-390	
35007-8390	Market value of total loss vehicle not established within local market area. Vehicles available in local market area were not researched.
CK00205838 46A001	Market value of total loss vehicle not established within local market area.
NBK03607062-014739	Market value of total loss vehicle not established according to WAC requirements. File returned for re-evaluation. Additional payment of \$916 sent to the insured.
HA07200124 46A035	License fees not paid as required. Additional

	payment of \$58.05 sent to insured.
CK08402365 - 46A010	Pro-rata license fees and transfer fees not paid. Additional payment of \$66.00 sent to insured.
PK0840253	Market value of total loss vehicle not established within local market area.